

NEVADA DEFERRED COMPENSATION COMMITTEE MEETING...AUGUST 17, 2016

Good Morning/Afternoon

There is much that could, and should, be said about this matter and its related issues, but in the name of brevity, I would like to address the issues summarized in the meeting agenda:

A) Alleged questionable competence and lack of appropriate participant service provided by a VOYA Financial Investment Advisor Representative:

- 1) The NDC Statement of Investment Policy, at Page 19, provides that the Provider/Record-keeper will make information about investment options available to Participants to support making informed investment choices.
- 2) I/LuAnn repeatedly asked VOYA Investment Advisor Representative Jake Honea for assistance in comparing the two Balanced Fund options offered by the Nevada Deferred Compensation Program.
- 3) On each and every occasion, he said emphatically that they were both exactly the same and that it made no difference which of the Funds the assets in my/LuAnn's NDC Account were invested in.
- 4) Mr. Honea either did not understand the differences in the Funds or was unwilling to take the time to research and discuss important facts including portfolio, performance and management of the Funds.
- 5) At no time did Mr. Honea make any disclosure regarding what information or assistance representatives can or cannot provide to Participants in the NDC Program.

B) Alleged failure of the NDC Committee and Staff to monitor the performance and participant service of VOYA Financial and their representatives:

- 1) The NDC Administrative Manual, at Page 4, Section 1.1, provides that "The Committee and its Program Coordinator monitor the Recordkeepers..." and, at Section 1.2(d), "Ensure that Recordkeepers provide quality service to participants". The Manual further provides, at Page 9, Section 7.2, that "The Program Coordinator is responsible for the following: Operations management, including but not limited to...customer service".
- 2) The NDC Statement of Investment Policy, at Page 3, Section 1, provides that "The

Committee and its Executive Officer/Program Coordinator monitor the Program's contracted Service Providers (i.e. Recordkeeper...)".

3) I/LuAnn have/has informed both the NDC Committee and its Program Coordinator via email and telephone that I/she have/has experienced significant deficiencies in the customer/participant service I/she have/has received from VOYA and/or its Representatives.

4) I/LuAnn have/has received no indication to date that the NDC Committee or its Program Coordinator have taken any corrective action to address these deficiencies in participant service.

C) Alleged lack of oversight by the NDC Committee regarding the investment options offered through The NDC Program:

1) The NDC Administrative Manual, at Page 8, Section 6.2, provides that "An analysis of investment performance will be reviewed by the Committee at its quarterly meetings".

2) The NDC Statement of Investment Policy, at Page 17, provides that "The Committee shall monitor investment options on a quarterly basis and may, in its discretion, conduct informal or formal evaluations of investment funds at any time. The Committee may place an investment option under formal fund review or on a watch list, terminate an investment option, "freeze" an investment option to new contributions, or initiate a search for a replacement investment option for any of the following reasons: 1. The investment option has not met the performance standards under the Plan for the investment category".

3) Investment Consultant Segal Rogerscasey clearly stated in at least four Quarterly Analysis of Investment Performance Reports, which have been submitted to the NDC Committee, that "The Invesco Equity and Income R5 Fund significantly underperformed the 60% S&P 500/40% Barclays Agg Index". Nevertheless, the Committee took none of the corrective actions it is authorized to take. Neither did the Committee act solely in the best interests of NDC Program participants by ^{NOT} advising them of the Fund's significant underperformance.

D) Alleged failure of the contracted NDC Investment Consultant, Segal Rogerscasey, to recognize and/or recommend action on the significant underperformance of the Invesco Equity and Income Fund:

- 1) The NDC Statement of Investment Policy, at Page 20, provides that “The Committee will elect to hire an Investment Consultant to assist it in dispensing its fiduciary duties. Specific responsibilities include, but are not limited to: evaluating and communicating to the Committee and Program Staff the performance results for each investment option on an ongoing basis”.
 - 2) Despite repeated reports of significant underperformance by the Invesco Equity and Income Fund, Segal Rogerscasey failed to recommend, in the best interests of NDC participants, that the Committee place this Fund on the Watch List or take other corrective action, including advising NDC Program participants of the Fund’s significant underperformance.
- E) Alleged loss in value of the Participant’s NDC Account as a result of the allegations listed above and pointed out in her email correspondence:
- 1) A comparative analysis of the current balance in my/LuAnn’s NDC Account and the projected balance if the assets in the Account had been invested in the other Balanced Fund option offered by the NDC Program currently indicates a deficit of nearly \$30,000. I/LuAnn attribute(s) this substantial deficit to the collective effects of VOYA Representative Jake Honea’s failure to provide qualitative and comparative information on the two funds in question, the NDC Committee and Staff’s failure to appropriately monitor the performance of the Invesco Equity and Income Fund and/or advise Participants of the Fund’s significant underperformance, Segal Rogerscasey’s failure to recommend that the Committee place the Fund on the Watch List or take other cautionary or corrective action in consideration of the Fund’s significant underperformance, and the collective failure of all of the above parties to act in my best interests as a Program Participant.

In summation, this matter should not be viewed or considered solely on the basis of it being legally defensible, which it may or may not be. Perhaps a more important question should be whether the Nevada Deferred Compensation Program is being implemented and administered in full compliance with both the letter and the spirit of the Nevada Revised Statutes, the NDC Plan Document and the NDC Administrative Manual. These documents collectively speak to customer service and the best interests of the Participants no less than nine times.

The outcome of this important matter could affect thousands of Participants for years to come. Thank you for providing me/us the opportunity to address the Committee today.